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Follow-up to and implementation of the outcome of the International Conference on Financing for Development

Report of the Second Committee

Rapporteur: Mr. Abdulmalik **Alshabibi** (Yemen)

I. Introduction

1. At its 1st plenary meeting, on 13 September 2005, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixtieth session the item entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development" and to allocate it to the Second Committee.

2. The Second Committee considered the item at its 10th, 12th and 39th meetings, on 12 and 19 October and 19 December 2005. An account of the Committee's discussion of the item is contained in the relevant summary records (A/C.2/60/SR.10, 12 and 39). Attention is also drawn to the general debate held by the Committee at its 2nd to 7th meetings, from 3 to 5 October 2005 (see A/C.2/60/SR.2-7).

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the Secretary-General on the follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/60/289 and A/60/289/Add.1);

(b) Summary by the President of the General Assembly of the High-level Dialogue on Financing for Development (A/60/219);

(c) Letter dated 5 July 2005 from the representative of Jamaica to the Secretary-General, transmitting the Doha Declaration and Doha Plan of Action adopted by the Second South Summit of the Group of 77, held at Doha, Qatar, from 12 to 16 June 2005 (A/60/111).

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4. At the 10th meeting, on 12 October, the Director of the Financing for Development Office and the Chief of the Multi-stakeholder Engagement and Outreach Branch, Financing for Development Office of the Department of Economic and Social Affairs made introductory statements.

5. At the same meeting, in accordance with the provisions of General Assembly resolution 58/316 of 1 July 2004, the Committee held a question time, during which comments were made and questions were posed by the representatives of Spain, Chile and the United Kingdom of Great Britain and Northern Ireland (on behalf of the European Union), to which the Director of the Financing for Development Office responded.

6. Also at the same meeting, the representative of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States made a statement.

II. Consideration of draft resolutions A/C.2/60/L.6 and A/C.2.60/L.72

7. At the 12th meeting, on 19 October, the representative of Jamaica (on behalf of the Group of 77 and China) introduced a draft resolution entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development" (A/C.2/60/L.6). The draft resolution read:

"*The General Assembly*,

"*Recalling* the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and its resolutions 56/210 B of 9 July 2002, 57/250 of 20 December 2002, 57/270 B of 23 June 2003, 57/272 and 57/273 of 20 December 2002, 58/230 of 23 December 2003 and 59/225 of 22 December 2004, as well as Economic and Social Council resolutions 2002/34 of 26 July 2002, 2003/47 of 24 July 2003 and 2004/64 of 16 September 2004,

"*Taking note* of the report of the Secretary-General on the follow-up to and implementation of the outcome of the International Conference on Financing for Development, prepared in collaboration with the major institutional stakeholders,

"*Having considered* the summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development, held in New York on 18 April 2005,

"*Welcoming* the High-level Dialogue on Financing for Development held in New York on 27 and 28 June 2005, and the separate meeting on Financing for Development, held within the framework of the High-level Plenary Meeting of the General Assembly on 14 September 2005,

"*Having considered* the summary by the President of the General Assembly of the High-level Dialogue on Financing for Development,

"*Recalling* section II on development of the 2005 World Summit Outcome,

"*Welcoming* ongoing international efforts, contributions and discussions, such as the Action against Hunger and Poverty initiative, aimed at identifying possible innovative and additional sources of financing for development from all sources, public and private, domestic and external, within the context of the follow-up to the International Conference on Financing for Development,

"*Stressing* the importance for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments,

"*Reiterating* the need to implement fully and build further on the commitments made and agreements reached at the International Conference on Financing for Development, and recognizing the strong link between financing for development and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

"1. *Stresses* the importance of increased resource flows to developing countries in achieving sustained economic growth and development, notes with concern the continued increase in net outward transfers of financial resources from developing to developed countries, and underscores the need for measures at the national, regional and international levels to reverse this trend, in view of the importance of increased capital flows and financing for development for developing countries;

"2. *Reaffirms* the importance of fulfilling commitments by developed countries to increase official development assistance, to reduce debt and debt-service payments, to open their markets to the products of developing countries and to encourage foreign direct investment flows to the developing world;

"3. *Stresses* the importance and the critical role that a universal, rule-based, open, non-discriminatory and equitable multilateral trading system can play in stimulating economic growth and development, particularly in the case of the developing countries, where trade continues to be one of the most important sources of development financing;

"4. *Notes* that, while foreign direct investment is a major source of financing development, the flow of such funds to developing countries remains uneven, and in this regard calls upon developed countries to continue to devise source-country measures to encourage and facilitate the flow of foreign direct investment;

"5. *Urges* developed countries that have not done so to make concrete efforts to reach the targets of 0.7 per cent of gross national product as official development assistance to developing countries and 0.15 to 0.20 per cent of gross national product to least developed countries, as reconfirmed at the Third United Nations Conference on the Least Developed Countries, encourages developing countries to build on progress achieved in ensuring that official development assistance is used effectively to help to achieve development goals and targets, and acknowledges the efforts of all donors, commends those

donors whose official development assistance contributions exceed, reach or are increasing towards the targets, and underlines the importance of undertaking to examine the means and time frames for achieving the targets and goals;

"6. *Notes with concern* the increased share of debt relief and emergency aid in total aid flows over the last decade and the resulting decline of official development assistance as a source of budgetary resources for developing countries, and in this regard stresses the need to translate the donor commitments to increase official development assistance into real increases in financial resources to support the implementation of national development strategies in developing countries and their achievement of the Millennium Development Goals;

"7. *Requests* the Secretary-General to report to the General Assembly at its sixty-first session on progress made in the fulfilment of official development assistance commitments, including the establishment of timetables to achieve the 0.7 per cent target;

"8. *Decides* to give further consideration to the subject of innovative sources of financing for development, provided that such sources do not unduly burden developing countries, and in this context recognizes the progress achieved in the implementation of some innovative mechanisms, particularly concerning the International Financial Facility and a solidarity contribution on airline tickets to enable financing development projects, particularly in the health sector;

"9. *Encourages* further efforts to improve aid effectiveness, and invites the next World Bank/Organization for Economic Cooperation and Development conference on aid effectiveness to ensure the full participation of developing countries in future work on aid effectiveness;

"10. *Reiterates* its request to the Secretary-General to consult with the Director-General of the World Trade Organization in order to expand existing cooperation between the two organizations on issues related to financing for development and to build on the ad hoc modality of interaction between the United Nations and the World Trade Organization in the preparations for the International Conference on Financing for Development by making better use of the possibilities offered by the existing framework of cooperation;

"11. *Stresses* that scaling up investment in infrastructure is key to faster growth and progress in reducing poverty and calls for continued deepening and scaling up of support for infrastructure service delivery and removal of impediments in this regard in order to respond to the needs of developing countries, and as a part of this effort, looks forward to contributions by the World Bank and the International Monetary Fund at their spring meeting, in 2006, on the impact of fiscal space on growth and the achievement of the Millennium Development Goals;

"12. *Welcomes* the offer of the Government of Qatar to host a follow-up International Conference on Financing for Development, in Doha in 2007, to review the implementation of the Monterrey Consensus, as called for in the Monterrey Consensus;

"13. *Decides* to agree on the appropriate modalities for the follow-up International Conference on Financing for Development to review the implementation of the Monterrey Consensus during the sixtieth session of the General Assembly;

"14. *Stresses* the importance of the full involvement of all relevant stakeholders in the implementation of the Monterrey Consensus of the International Conference on Financing for Development at all levels, and also stresses the importance of their full participation in the Monterrey follow-up process, in accordance with the rules of procedure of the United Nations, in particular the accreditation procedures and modalities of participation utilized at the Conference and in its preparatory process;

"15. *Decides* to include in the provisional agenda of its sixty-first session the item entitled 'Follow-up to and implementation of the outcome of the International Conference on Financing for Development', and requests the Secretary-General to submit to the General Assembly at its sixty-first session a substantive report, including concrete recommendations for action to further the implementation of the Monterrey Consensus, to be prepared in full collaboration with the major institutional stakeholders involved in the financing for development process."

8. At its 39th meeting, on 19 December, the Committee had before it a draft resolution entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development" (A/C.2/60/L.72), which was submitted by the Vice-Chairman of the Committee, Mr. Selwin Hart (Barbados), on the basis of informal consultations held on draft resolution A/C.2/60/L.6.

9. At the same meeting, the Committee had before it revisions to draft resolution A/C.2/60/L.72, which were circulated in English only.

10. Also at the same meeting, the Committee was informed that the draft resolution contained no programme budget implications.

11. At the same meeting, the Committee adopted draft resolution A/C.2/60/L.72 as revised.

12. After the adoption of the draft resolution, statements were made by the representatives of the United States of America, Canada (on behalf of the CANZ Group (Australia, Canada and New Zealand)), the United Kingdom of Great Britain and Northern Ireland (on behalf of the European Union), Mexico and Jamaica (on behalf of the Group of 77 and China).

13. In the light of the adoption of draft resolution A/C.2/60/L.72, draft resolution A/C.2/60/L.6 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

14. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Follow-up to and implementation of the outcome of the International Conference on Financing for Development

The General Assembly,

Recalling the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and its resolutions 56/210 B of 9 July 2002, 57/250 of 20 December 2002, 57/270 B of 23 June 2003, 57/272 and 57/273 of 20 December 2002, 58/230 of 23 December 2003 and 59/225 of 22 December 2004, as well as Economic and Social Council resolutions 2002/34 of 26 July 2002, 2003/47 of 24 July 2003 and 2004/64 of 16 September 2004,

Taking note of the reports of the Secretary-General on the follow-up to and implementation of the outcome of the International Conference on Financing for Development, prepared in collaboration with the major institutional stakeholders,[1]

Taking note of other relevant reports of the Secretary-General on the follow-up to and implementation of the outcome of the International Conference on Financing for Development,[2]

Having considered the *World Economic and Social Survey 2005: Financing for Development*,[3]

Recalling the 2005 World Summit Outcome,[4]

Having considered the summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development, held in New York on 18 April 2005,[5]

Welcoming the High-level Dialogue on Financing for Development held in New York on 27 and 28 June 2005 and the separate meeting on financing for development held within the framework of the High-level Plenary Meeting of the General Assembly on 14 September 2005,

Having also considered the summary by the President of the General Assembly of the High-level Dialogue on Financing for Development,[6]

Reaffirming the commitment to the global partnership for development set out in the United Nations Millennium Declaration,[7] the Monterrey Consensus of the International Conference on Financing for Development,[8] the Plan of

[1] A/60/289 and A/59/822.
[2] A/59/800, A/59/855 and A/60/289/Add.1.
[3] United Nations publication, Sales No. E.05.II.C.1.
[4] See resolution 60/1.
[5] A/59/823-E/2005/69.
[6] A/60/219.
[7] See resolution 55/2.
[8] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation")[9] and the 2005 World Summit Outcome,

Reaffirming that each country must take primary responsibility for its own development and that the role of national policies and development strategies cannot be overemphasized for the achievement of sustainable development, and also recognizing that national efforts should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership strategies and sovereignty,

Recognizing the ongoing international efforts, contributions and discussions, such as the Action against Hunger and Poverty Initiative, aimed at identifying and developing possible innovative and additional sources of financing for development from all sources, public and private, domestic and external, to increase and supplement traditional sources of financing within the context of the follow-up to the International Conference on Financing for Development, recognizing that some of the sources and their use fall within the realm of sovereign action,

Underlining that the increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations have meant that the space for national economic policy, that is, the scope for domestic policies, especially in the areas of trade, investment and industrial development, is now often framed by international disciplines, commitments and global market considerations; that it is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space; and that it is particularly important for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments,

Reiterating the need to implement fully and build further on the commitments made and agreements reached at the International Conference on Financing for Development, and recognizing the strong link between financing for development and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

Welcoming the recent decisions, commitments and proposals made in this regard to implement and build on the commitments made and agreements reached at the International Conference on Financing for Development,

1. *Underlines*, in accordance with the Monterrey Consensus:

(a) The importance of the implementation of the commitment to sound policies, good governance at all levels and the rule of law;

(b) The importance of the implementation of the commitment to create an enabling environment for mobilizing domestic resources and the importance of sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure as a basis for sustained economic growth, poverty eradication and employment creation;

[9] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

(c) The importance, in order to complement national development efforts, of the implementation of the commitment to enhance the coherence and consistency of international monetary, financial and trading systems;

2. *Welcomes* the efforts by developing countries to adopt and implement national development strategies to achieve their national development priorities as well as the internationally agreed development goals and objectives including the Millennium Development Goals; reaffirms the resolve, for those countries that have not yet done so, to adopt by 2006 and implement such strategies; and also reaffirms the resolve to support these efforts as set out in the 2005 World Summit Outcome, including through increased resources;

3. *Stresses* the importance of a universal, rule-based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, that can substantially stimulate development worldwide, benefiting countries at all stages of development; in that regard, reaffirms its commitment to trade liberalization and to ensuring that trade plays its full part in promoting economic growth, employment and development for all; thus welcomes the decisions of the World Trade Organization to place the needs and interests of developing countries at the heart of its work programme and commits itself to their implementation; and in this regard, emphasizes the importance of fulfilling the development dimension of the Doha work programme and the successful completion of the Doha round as soon as possible;

4. *Notes* that, while foreign direct investment is a major source of financing development, the flow of such funds to developing countries and countries with economies in transition remains uneven; in this regard calls upon developed countries to continue to devise source-country measures to encourage and facilitate the flow of foreign direct investment, inter alia, through the provision of export credits and other lending instruments, risk guarantees and business development services; and calls upon developing countries and countries with economies in transition to continue their efforts to create a conducive domestic environment for attracting investments by, inter alia, achieving a transparent, stable and predictable investment climate with proper contract enforcement and respect for property rights;

5. *Reaffirms* the Monterrey Consensus; recognizes that mobilizing financial resources for development and the effective use of those resources in developing countries and countries with economies in transition are central to a global partnership for development in support of the achievement of the internationally agreed development goals, including the Millennium Development Goals; and in this regard:

(a) Welcomes the increased resources that will become available as a result of the establishment of timetables by many developed countries to achieve the target of 0.7 per cent of gross national product for official development assistance by 2015 and to reach at least 0.5 per cent of gross national product for official development assistance by 2010, as well as, pursuant to the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010,[10] 0.15 per cent to 0.20 per cent for the least developed countries by no later than 2010, and urges those developed countries that have not yet done so to make concrete efforts in this regard in accordance with their commitments;

[10] A/CONF.191/13, chap. II.

(b) Recognizes the importance of official development assistance as an important source of financing development for many developing countries; stresses the need to translate increases in official development assistance into real increases in resources for national development strategies to achieve the national development priorities of developing countries as well as the internationally agreed development goals and objectives, including the Millennium Development Goals, taking into account the need for resource predictability, including budget support mechanisms where appropriate; welcomes recent efforts and initiatives to enhance the quality of aid and increase its impact, including the Paris Declaration on Aid Effectiveness; resolves to take concrete, effective and timely action to implement all agreed commitments on aid effectiveness, with clear monitoring and deadlines, including through further aligning assistance with countries' strategies, building institutional capacities, reducing transaction costs and eliminating bureaucratic procedures, making progress on untying aid, enhancing the absorptive capacity and financial management of recipient countries and strengthening the focus of development results; and encourages the broadest possible participation of developing countries in future work on aid effectiveness;

(c) Recognizes the importance of developing innovative sources of financing for development provided that such sources do not unduly burden developing countries; notes that some countries will launch the International Financial Facility, some countries have launched the Facility's immunization pilot and some countries, utilizing their national authorities, will implement in the near future a contribution on airline tickets as a "solidarity contribution" to enable financing for development projects; and notes that other countries are considering whether and to what extent they will participate in those initiatives;

(d) Recognizes the progress achieved in this regard and decides to give further consideration to the subject of innovative development financing from all sources, public and private, domestic and external;

(e) Emphasizes the importance of microcredit and microfinance in the eradication of poverty; highlights that the observance of the International Year of Microcredit 2005 has provided a significant opportunity to raise awareness, share best practices and further enhance financial sectors that support sustainable pro-poor financial services in all countries; in this regard urges member countries to put best practices into action; and invites the international community, including the United Nations system, to build on the momentum created by the Year;

(f) Acknowledges the vital role that the private sector can play in generating new investments, employment and financing for development;

6. *Stresses* the importance of investments in basic economic and social infrastructure, as set out in the Monterrey Consensus; notes that scaling up investment in infrastructure, alongside strong programmes for health and education, is a key element for faster growth and progress in reducing poverty; in this regard, calls for continued deepening and scaling up of support for infrastructure service delivery and removal of impediments in order to respond to the needs of developing countries, consistent with national development strategies; welcomes the progress made by the Bank Group to strengthen public-private partnerships to leverage investment and maximize impact, including in the framework of the newly established Africa Infrastructure Consortium; and acknowledges the work of the World Bank in this area, including plans for a progress report to the Development

Committee on the impact of fiscal space on growth and the achievement of the Millennium Development Goals;

7. *Emphasizes* the great importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries since debt financing and relief can be an important source of capital for economic growth and development, and also emphasizes that creditors and debtors must share responsibilities for preventing unsustainable debt situations;

8. *Welcomes*, in this regard, the recent proposal of the Group of Eight as endorsed by the Bretton Woods institutions at their 2005 annual meetings to cancel 100 per cent of the outstanding debt of eligible heavily indebted poor countries owed to the International Monetary Fund, the International Development Association and the African Development Fund, and to provide additional resources to ensure that the financing capacity of the international financial institutions is not reduced;

9. *Emphasizes* that corruption at all levels is a serious barrier to development and to effective resource mobilization and allocation; reaffirms the commitment expressed in the Monterrey Consensus to make the fight against corruption at all levels a priority; in this regard, welcomes the entry into force on 14 December 2005 of the United Nations Convention against Corruption;[11] and reiterates its invitation to all Member States and competent regional economic integration organizations, within the limits of their competence, to ratify or accede to and fully implement the Convention as soon as possible;

10. *Recognizes* the work of the Financing for Development Office in organizing, within its mandate, workshops, multi-stakeholder consultations, panel discussions and other activities aimed at better enabling member countries to implement their commitments as agreed in the Monterrey Consensus, and requests the Office, in collaboration with experts from the public and private sectors, academia and civil society, to continue its work in this area;

11. *Reiterates its request* to the Secretary-General to consult with the Director-General of the World Trade Organization in order to expand existing cooperation between the two organizations on issues related to financing for development and to build on the ad hoc modalities of interaction between the United Nations and the World Trade Organization that were undertaken in the preparations for the International Conference on Financing for Development held in 2002 by making better use of the possibilities offered by the existing framework of cooperation;

12. *Decides*, in accordance with paragraph 73 of the Monterrey Consensus, to hold a follow-up international conference on financing for development to review the implementation of the Consensus at a date to be determined during the period 2008-2009;

13. *Welcomes* the offer of the Government of Qatar to host the conference;

14. *Decides* that, in line with General Assembly resolution 57/270 B, the review conference should assess progress made; reaffirm goals and commitments; share best practices and lessons learned; and identify obstacles and constraints

[11] Resolution 58/4, annex.

encountered, actions and initiatives to overcome them and important measures for further implementation, as well as new challenges and emerging issues;

15. *Also decides* to commence the preparatory process, including a decision on the exact date of the conference, at its sixty-first session;

16. *Resolves* to continue to make full use of the existing institutional arrangements for reviewing the implementation of the Monterrey Consensus as set out in paragraph 69 of the Consensus and in line with General Assembly resolution 57/270 B, including the high-level dialogues convened by the General Assembly and the spring meetings of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development;

17. *Stresses* the importance of the full involvement of all relevant stakeholders in the implementation of the Monterrey Consensus of the International Conference on Financing for Development at all levels, and also stresses the importance of their full participation in the Monterrey follow-up process, in accordance with the rules of procedure of the General Assembly, in particular the accreditation procedures and modalities of participation utilized at the Conference and in its preparatory process;

18. *Decides* to include in the provisional agenda of its sixty-first session the item entitled "Follow-up to and implementation of the outcome of the International Conference on Financing for Development", and requests the Secretary-General to submit under that item an annual analytical assessment of the state of implementation of the Monterrey Consensus and of the present resolution, to be prepared in full collaboration with the major institutional stakeholders.